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UNCLAS ROME 005262

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SUBJECT: ITALY'S GDP GREW 0.5 PERCENT THIRD QUARTER 2003

1. ON NOVEMBER 14, ISTAT, ITALY'S CENTRAL INSTITUTE OF STATISTICS, RELEASED PRELIMINARY DATA ON GDP GROWTH IN THE THIRD QUARTER 2003. GDP GREW BY 0.5 PERCENT BOTH FROM THE PREVIOUS QUARTER AND COMPARED WITH THE CORRESPONDING PERIOD IN 2002. THIS GROWTH FOLLOWS TWO DECREASES IN A ROW IN THE FIRST TWO QUARTERS OF THE YEAR AND IS THE BEST RESULT REGISTERED BY ITALIAN GDP SINCE THE FIRST QUARTER 2001.

2. FINANCE MINISTER TREMONTI TRUMPETED THE RETURNS BY DECLARING, "THE WORST IS OVER NOW," ADDING LATER THAT NOT JUST THE DATA WAS IMPORTANT, BUT THAT IT INDICATED AN UPWARD TREND. OTHERS WERE LESS CERTAIN. DEPUTY FINANCE MINISTER BALDASSARRI COMMENTED THAT 0.5 PERCENT (THIRD QUARTER 2003 GROWTH AND ALSO THE GOI OFFICIAL GDP GROWTH TARGET FOR 2003) STILL REPRESENTS MODEST GDP GROWTH IN AN ECONOMY THAT HAS A POTENTIAL YEAR-OVER-YEAR GROWTH RANGING FROM 2.5 TO 3 PERCENT. OTHER ANALYSTS, SUCH AS THE RESEARCH DEPARTMENT OF CONFINDUSTRIA, THE LEADING INDUSTRY ASSOCIATION, POINTED OUT THAT "THE RECOVERY APPEARS FRAGILE AND RELATIVELY MODEST." THE RESEARCH DEPARTMENT OF UNICREDIT, ONE OF ITALY'S TOP FIVE BANKS, ALSO DECLARED THAT, "THE DATA REFLECTS GOOD INDUSTRIAL PERFORMANCE, BUT IT IS TOO EARLY TO TALK OF ECONOMIC RECOVERY, CONSIDERING THE NOT POSITIVE PERFORMANCE OF FOREIGN TRADE."

3. (NOTE: ACCORDING TO ISTAT, EXPORTS DECREASED BY 3.0 PERCENT, WHILE IMPORTS INCREASED BY 0.8 PERCENT IN THE FIRST NINE MONTHS OF 2003, COMPARED WITH THE CORRESPONDING PERIOD IN 2002. ITALY'S FOREIGN TRADE THROUGH SEPTEMBER 2003 REGISTERED AN E600 MILLION DEFICIT, COMPARED WITH AN E6.8 BILLION SURPLUS DURING THE SAME TIME PERIOD IN 2002. END NOTE).

4. IN ADDITION, OTHER ANALYSTS POINT OUT THAT THE THIRD QUARTER OF 2003 HAD FOUR WORKING DAYS MORE THAN THE PREVIOUS QUARTER AND THE CORRESPONDING PERIOD IN 2002. GIUSEPPE TURANI, AN ECONOMIC COMMENTATOR OF THE INFLUENTIAL LEFTIST DAILY "LA REPUBBLICA" COMMENTED THAT THIS LONGER REPORTING PERIOD MAKES THE ITALIAN DATA NOT FULLY COMPARABLE WITH THAT OF OTHER EUROPEAN COUNTRIES. TURANI ALSO DECLARED THAT THE DATA JUST PROVES THAT "WE ARE ALIVE, BUT NOTHING ELSE."

5. STILL OTHERS HAVE POINTED OUT THAT WHILE THIS PRELIMINARY GDP GROWTH DATA DOES SHOW THAT INDUSTRY AND SERVICES WERE RESPONSIBLE FOR THE GROWTH, THE DATA DOES NOT INDICATE WHETHER GROWTH WAS DRIVEN BY CONSUMPTION OR EXPORTS OR MORE BY A SIMPLE INCREASE OF INVENTORIES (IN WHICH CASE THE GROWTH MAY NOT BE SUSTAINED).

6. AS FOR COMPARISONS WITH OTHER EU MEMBER ECONOMIES, THE ISTAT DATA SHOWS THAT ITALY GREW MORE THAN FRANCE AND GERMANY.

7. COMMENT. IT IS STILL DIFFICULT TO DETERMINE WHETHER THIRD QUARTER DATA TRULY REPRESENTS THE FIRST SIGNS OF ECONOMIC RECOVERY. TWO IMPORTANT ITALIAN RESEARCH INSTITUTES HYPOTHEZIZE THAT THE SEPTEMBER AND OCTOBER DOWNTURN IN INDUSTRIAL ACTIVITY MIGHT NEGATIVELY AFFECT OVERALL GDP GROWTH IN THE LAST QUARTER OF THE YEAR. THAT SAID, A MODEST 0.25 PERCENT INCREASE IN THE LAST QUARTER 2003 WOULD STILL ASSURE A 0.5 PERCENT GROWTH FOR THE YEAR. END COMMENT.  
SEMBLER

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